

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

MINUTES

November 26, 2007

Council Chamber, 8th Floor

CONVENE: 2:05 p.m.

PRESENT: Councilmember Joseph Pontanilla, Chair
Councilmember G. Riki Hokama, Vice-Chair
Councilmember Jo Anne Johnson, Member
Councilmember Danny A. Mateo, Member
Councilmember Michael J. Molina, Member

EXCUSED: Councilmember Michelle Anderson, Member
Councilmember Gladys C. Baisa, Member
Councilmember Bill Kauakea Medeiros, Member
Councilmember Michael P. Victorino, Member

STAFF: Lance Taguchi, Legislative Analyst
Yvette Bouthillier, Committee Secretary

Leinaala Kihm, Executive Assistant to Councilmember Medeiros

ADMIN.: Fred Pablo, Budget Director, Office of the Mayor
Kalbert L. Young, Director, Department of Finance
Adrienne N. Heely, Deputy Corporation Counsel, Department of the Corporation
Counsel
Brian T. Moto, Corporation Counsel, Department of the Corporation Counsel

Seated in the gallery:

Cheryl K. Okuma, Director, Department of Environmental Management
David Taylor, Chief, Wastewater Reclamation Division, Department of
Public Works
Tracy Takamine, Chief, Solid Waste Division, Department of Public Works
Michael Miyamoto, Deputy Director, Department of Public Works
Jeffrey K. Eng, Director, Department of Water Supply

PRESS: Akaku: Maui Community Television, Inc.

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

CHAIR PONTANILLA: . . .(*gavel*). . . Good afternoon, Members. The Budget and Finance Committee meeting of November 26, 2007, the time is 2:05, is now in session. Members, after this morning's lengthy discussion, I just wanna say thank you for being here on a non-Committee week to take care of this very important business. At this time the Chair would like to recognize the Members of the Committee that are here. This afternoon we do have Member Mateo, Member Johnson, Member Molina, and our Council Chair Member Hokama. Excused are Member Anderson, Member Baisa, Member Medeiros, and Member Victorino.

Supporting the Committee this afternoon we do have Lance Taguchi as well as Yvette Bouthillier.

And at this time the Chair would like to recognize the Administration personnel that are here. We do have Adrienne Heely from the Corporation Counsel's office, Kalbert Young from the Finance Department, as well as Fred Pra., Pablo from the Budget office. Also in the audience we do have some department heads. We have Mr. Eng from the Water Supply. We do have Mike Miyamoto, the, from Public Works, as well as our Corporation Counsel Brian Moto.

Members, today we have one single item on the agenda, but before we go into the agenda item, the Chair would like to call for public testimony. There's no one signed up for public testimony prior to the meeting. So without any objections the Chair would like to close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you very much.

**ITEM NO. 74: TRANSFERS FROM THE GENERAL FUND AND THE
DEPARTMENT OF WATER SUPPLY REVENUE FUND
(C.C. Nos. 07-308 and 07-309)**

CHAIR PONTANILLA: This afternoon the only item on our agenda is BF-74, transfers from the General Fund and the Department of Water Supply Revenue Fund. The Committee is in receipt of the following:

County Communication No. 07-308, from the Director of Finance, transmitting a report on transfers from the General Fund and the Department of Water Supply Revenue Fund to the Bond Fund as of October 31st, 2007.

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

Second, County Communication No. 07-309, from the Director of Finance, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING GENERAL BUDGET PROVISIONS 'FINANCIAL PROCEDURES – SECTION 17' OF THE FISCAL YEAR 2008 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO THE GENERAL OBLIGATION BONDS OR NOTES". The purpose of the proposed bill is to amend Section 17 of the General Budget Provisions of the Fiscal Year 2008 Budget by increasing the maximum aggregate amount of transfers or notes to the Bond Fund or the Housing Interim Financing and Buy-Back Revolving Fund from \$30,000,000 to \$35,000,000. In a transmittal dated November 23rd, 2007, the Committee's in receipt of a revised proposed bill.

At this time the Chair would like to have Mr. Young provide us with some comments. Mr. Young.

MR. YOUNG: Thank you, Mr. Chair. Good afternoon, Members. Thank you very much for accommodating this item on your Committee agenda on this off week. It is rather timely and of importance to have a budget amendment to increase the authorization for advances to the Bond Fund from 30,000,000 to requested 35,000,000. There's two pieces of communications. The first that the Chair mentioned was related to the current status of advances to the Bond Fund dated as of October 31st, 2007. That amount, although the limit is set at 30,000,000 in the current ordinance, that amount as of October 31st has already exceeded 28.3 million. And I have distributed my worksheet for Fiscal Year 2007 appropriations of CIP that are appropriated out of the Bond Fund. That's this front and back single page handout. And as you can see there's a number of projects that are appropriated via bonds in Fiscal Year 2007 which appropriations will lapse on December 31st of this year. And with the advance limit currently at 30 million, you see that we have. . .we don't have enough room under the current authorization to accommodate those projects which I foresee will likely come in between now and the end of the calendar year before their appropriations lapses.

The actual amount of projects that I anticipate will come in is actually in the \$9.7 million range, and with the current advances as of October 31st, 2007, at 28.3 million, we can anticipate that the advance amount will likely be in the \$38 million range. So although the Administration has sent down the request to amend to 35 million, I do respectfully request if

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

some deliberation and discussion is available to examine whether or not that limit needs to actually be higher.

I will also note that the Department of Finance is currently undertaking the efforts to structure a bond sale on behalf of the County which is scheduled for the later part of December early part of January. We normally try to begin the process for bond sale in order to replenish the advances when the limit reaches about the \$22 million range, which we did this year as well. However, that limit was started some place around in mid to early August, and there has been a ramp up of contracts and projects that have come through since then that have pushed the advances from the \$22 million range quickly up to the \$28.3 million range. And that is actually the reason to necessitate the request before you to increase the authorization limit to higher than 30 million in light of the fact that we are going out for a bond sale in just a matter of weeks.

On behalf of the Administration, representatives from the Department of Water Supply, Environmental Management--which is Wastewater and Solid Waste Division, and the Department of Public Works, are available for any questions on the status of the projects on the handout that I provided in regards to the likelihood of them coming forward before the end of the calendar year for proceeds. With that, Mr. Chair, if there are any questions we'd be happy to entertain them. Thank you.

CHAIR PONTANILLA: Thank you, Director Young. Director Pablo do you have any comments to make at this time?

MR. PABLO: Thank you, Chair. Good afternoon, Members. I just have a short comment to make. When, when this proposal went forward I did a little research, and I've noticed that the Section 17 has been in the general budget provisions dating back to Fiscal Year '98. In Fiscal Year '97 it was under Section 16. The loan aut..., transfer authorization amount was 20 million. In Fiscal Year '98 it was increased to 30 million. At that time the government bonds issuance was at 14 million. Just for your information, the Fiscal Year '07 government bonds authorization issuance is 24.6 million. So you can see that in the matter of 11 years, the government bond. . . use of government bonds for funding of CIP has increased 10 million, but our loan transfer authorization has remained the same. Thank you, Chair.

CHAIR PONTANILLA: Thank you, Chair. Thank you. And Members, again, we do have the department heads sitting in the gallery if you do have any

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

questions regarding any of the items that you see on our, the handout that was given by Mr. Young, or the communication that we received earlier. The Chair is willing to bring forth those department heads. So at this time, Members, do you have any questions for the Administration?

VICE-CHAIR HOKAMA: Question.

CHAIR PONTANILLA: Member Hokama.

VICE-CHAIR HOKAMA: You know for us to get one real good picture of what you're requesting, have you also made an, Mr. Pablo, a review of how we've adjusted the dependency on the State Revolving Funds, and how much we transferred from regular bonds to Revolving Funds so that we can be well informed of this request in its proper perspective?

MR. PABLO: The recent changes that we did for the SRF deal with Fiscal Year '08. In Fiscal Year '08 government bonds issuance was authorized by 37 million, and out of that 37 million we've adjusted that by 7.5 million which has been transferred from SRF..., I mean transferred to SRF funding but that's in, that's for Fiscal Year '08 from 37 million.

VICE-CHAIR HOKAMA: And I...can this Committee assume that everything that should have been done prior to this request has been done including value engineering of every single project that's on the list? Either gentlemen.

MR. YOUNG: Mr. Chairman, I...that, that would be a better question that perhaps the individual departments might be able to elaborate on if an individual projects... 'cause I'm not fully aware of what methods of value engineering or cost accounting was utilized for any of these projects.

VICE-CHAIR HOKAMA: Uh-huh. 'Cause last time Solid Waste came up and we asked the question they were very candid in saying no, they did no value engineering. And, and to me, Mr. Young, when you come to Council asking for money, I would like to at least know that internally you have asked the departments to do their outmost under their control prior to them asking us just for more money. I think this should be the last option for any department prior to a formal request.

One thing that I noticed in the handout you've provided for us through our Chairman is that you have no projects under the '08 year. Is there a reason

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

for that? 'Cause I thought you. . .that some departments are moving forward their '08 projects also.

MR. YOUNG: Yes, Mr. Hokama. Actually, the reason why on my worksheet only represents Fiscal Year 2007 projects is because in light of the fact that the Fiscal Year '07 projects will lapse their appropriations on December 31st, but the Fiscal Year 2008 projects have additional time for their funds to be encumbered, and the fact that we are going to be selling bonds in about a month in a half or so to replenish the advances, I'm not asking for a dramatic increase in the authorization because if there are any FY '08 projects, and there are FY '08 projects that are trying to come through, I, I'm using the strategy that to defer them for a few weeks until the bond authorize..., until the bond sale to replenish the advances. . .because they're not under any time constraints for the appropriation. It would only delay a matter of weeks and it's largely because of the fact that the limit at currently at 30 million I wanted to be conservative in terms of how much we were asking the Council to approve in an increase, and so that's why it's only up to 35 million. If the. . .if we did need to include the FY '08 projects under this, it could conceivably be well into the. . .in excess of 40 million for the authorization which for this fiscal year I'm kinda. . .I'm really of the thought that even if Council was to grant an increase to 40 million that limit will only be, would only serve us for the next six weeks because after we sell bonds we will replenish the, the advances and bring it back down to zero. So we only need this increase just to accommodate us in the time frame really from now until December 31st.

VICE-CHAIR HOKAMA: When was our last bond float, please, Mr. Young?

MR. YOUNG: August of 2006.

VICE-CHAIR HOKAMA: Two thousand and six.

MR. YOUNG: So it's been close to 16, 18 months. And also I would note for the Members and the general public that although we are asking for an increase from 30 million to 35 million, it's only an authorization limit. It has nothing to do with the liquidity of the County. It doesn't reflect any additional appropriation of money. It's really an authorization of how much the Administration can advance to the bond fund.

VICE-CHAIR HOKAMA: On it's repayment back to the General Fund for the advancement, whatever we've out laid is exactly what is put back. So

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

regarding short term investments and whatnot we do not draw any advantage out of an advancement except it's an advancement to be able to--what's the right word?--execute a contract.

MR. YOUNG: That, that is correct. That is correct. We, we, although we encumber. . .when these contracts come through and we encumber them for the entire amount of a contract, that doesn't necessarily mean that we've expended the full amount of the contract in the advance. So actually the amount of the advances are actually considerably lesser than the actual advanced amount. So the amount that's reflected as of October 31st of 28.3 million that's how much was actually encumbered on contract issued not the amount that was actually expended. The amount expended is actually far less, it's about 12 million.

VICE-CHAIR HOKAMA: Okay. And I'm glad you explained that to the Committee what is actually expended versus what you encumber.

My other question to you then. . .you know what, Chairman, I'm gonna get into another area. So I, I, I prefer to relinquish the floor at this time and then ask for another opportunity.

CHAIR PONTANILLA: Okay, thank you. And thank you for your line of questioning. I was gonna ask the Finance Director to kind of provide us with some information on your heading so that we all understand the "Fiscal Year '07 Bond Appropriation", "For Bonds by 12/31", "Anticipated Lapsing 12/31", and monies that are "Already Encumbered". If you could explain to the Committee so that we have a better understanding. Mr. Young.

MR. YOUNG: Certainly, Mr. Chair. As mentioned earlier, there are FY '08 CIP appropriations that are also active. The only. . .the reason why I'm only reflecting the FY '07 appropriations on this list are because those are the only appropriations that are at risk of lapsing on December 31st if the advance limit is not increased. The FY '08 appropriations are not under the same deadline of lapsing. And we are going to be selling bonds within the next six weeks, which means when we sell the bonds, the proceeds from that bond sale will replace all of the advances and the advanced amount will return to zero. At that point in time that will open up room under the ceiling. . .under the authorization ceiling for me to sign and encumber the FY '08 contracts. However, that bond sale will likely not conclude until January 15th which is 15 days after the CIP lapsing deadline for Fiscal Year '07 projects. So for that reason I hope I made it clear that

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

the FY '08 projects are not at risk of lapsing on December 31st. They will be allowed to proceed after the bond sale is concluded and the advance. . . the bond fund advances have been replenished, but only the FY '07 projects, which I've outlined on this worksheet, are at risk. And as you can see the limit or the amount of room that's currently available on the advanced authorization is not sufficient to meet all of the pending projects that are likely or that I foresee as being likely as coming through by December 31st. And in case any of the Members are not aware, what happens is when the Council approves in the annual budget for projects to be funded via bonds, that appropriation is incumbent upon the County to advance monies for those projects because we only sell bonds maybe once every 12 to 18 months somewhere. Any projects that come along during the course of those 12 to 18 months prior to us selling bonds, we still must have the monies available to fund those projects so we advance monies from either the General Fund or the wastewater fund or the water fund--excuse me--to pay for these projects until such time that we do sell the bonds and replenish those funds. And that's the value or the importance of the authorization limit. I hope that's clear enough for you, Mr. Chair.

CHAIR PONTANILLA: Thank you. Thank you very much, Mr. Young. Member Johnson.

COUNCILMEMBER JOHNSON: Yes. And Kalbert if I'm looking at columns two and three, which is the 12/31 bond summary and then the anticipated lapsing of 12/31, when I add those up they're, you know, let's say roughly \$10 million. So currently we're at the 28.2 million level. So is that your reason for asking for the 38 million if we could possibly consider that as opposed to going to 35.

MR. YOUNG: Yes, yes, Ms. Johnson, yes. The column that is labeled "For Bonds by 12/31" is my estimate in discussions with the various departments on those projects that would likely make the lapsing deadline procedurally. Meaning that they have bid. . .they've requested for bids, they've either opened the bids or are eminently scheduled to open bids that they could likely draft contracts, have contracts signed and ready for encumbrance by 12/31. Those are the projects that in my estimation I think there's a likelihood and that's why they're in that "For Bonds by 12/31". The column that is labeled "Anticipated Lapsing 12/31" are those projects that again in my discussions with the various departments, and by my estimation of where they are in the process, it is not likely that they're gonna make the deadline by 12/31. And so I'm not, I'm not asking the

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

Committee to worry about those projects listed in the “Anticipated Lapsing”. However, I’m showing it here because for the Committee’s information we’re showing that there’s a potential, as much as \$10.3 million of projects that would likely lapse for whatever reasons and there’s, it. . . I don’t know those reasons. They’re not outlaid here in this worksheet. However, for those projects that are anticipated by 12/31, there’s roughly 9.7 million just from Fiscal Year ’07 alone that are gonna be trying to make the deadline, and with the current advances as of October 31st at 28.3 million that puts the anticipated advance amount at about 38 million. And although I’ve only asked for 35 million, what that would mean is that 3 million of those projects I would not be able to encumber contracts for.

COUNCILMEMBER JOHNSON: Yeah, and, and I think that for most people I guess I would liken it to the County writing a check, but not having any money in the bank when you’re doing it and we can’t do that, you know, so therefore we gotta have the capability. If we execute the contract, and depending on the terms, we have to have the ability to actually pay for that entire contract is that correct?

MR. YOUNG: Yes, essentially. Except the analogy wouldn’t. . . we have the cash. It would be equivalent to. . . I hate to use so many analogies, but it would be equivalent to say you having money in your savings account and you’re willing to. . . your budget allows you to transfer a certain amount and spend it, but to do so you would have to anticipate being able to pay back your savings account. You wouldn’t want it to be depleted to a certain amount. So we have. . . the County has cash available it’s. . . this ordinance before you is purely just to authorize drawing more from our cash for a short time between now and the time that we actually sell bonds.

COUNCILMEMBER JOHNSON: So you want an advance on your allowance.

MR. YOUNG: We want an advance on our allowance. That’s a good. . . that’s a better analogy. There you go. (chuckled)

COUNCILMEMBER JOHNSON: (chuckled) Okay. You know and, and I know you can’t answer specific questions about these projects, but some of them I’m familiar with and you know I know the wastewater project in Lahaina is really an important project to actually move forward with, and I see some of the other roadway projects too, and the resurfacing and, you

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

know, the bridge replacement. So I, I have no problem with basically moving forward this, Mr. Chair, at the \$38 million level. Thank you.

CHAIR PONTANILLA: Thank you, Member Johnson. Members, any more questions for Administration at this time? Member Hokama.

VICE-CHAIR HOKAMA: Chairman, I, I think what Mr. Young mentioned was important for us to understand regarding the difference between '07 and the '08 Fiscal Year's approaches to CIP. So we, we are aware that you have bid openings in the next few weeks, Mr. Young, and some of it may be '08 projects. So you're telling us this afternoon that it is Finance's intentions not to process out those bid, bid openings and to wait after the bond issuance prior to making those decisions on execution and advancements?

MR. YOUNG: No. The department's can proceed through the normal procurement process, however, all the way up until the point in time that the Finance Director is required to encumber the contract, which means when the Finance Director signs or certifies that there are available funds, if those projects are FY '08 appropriation projects I will not be signing those before the sale of the bonds, or unless the Council grants additional room under the advance that would allow me to do so. Because right now more importance is the Fiscal Year '07 appropriations.

VICE-CHAIR HOKAMA: Yeah, we understand the December 31st clock you need to deal with Mr. Young. So hearing what you just shared and that we have the capacity to increase the ceiling on the cash advancements, then the question I would have for you and Mr. Pablo is did the departments, did you challenge the departments to see if what was under bonds should be maybe reconsidered as a cash CIP and so instead of paying interest down the road for us would pay cash for certain projects was that a consideration since cash is not an issue for this County at this time?

MR. YOUNG: Yeah, Mr. Hokama, I haven't, I have not had that conversation with any of the departments, and that wasn't the strategy that I looked at in terms of evaluating the need for increasing the advance authorization.

VICE-CHAIR HOKAMA: Mr. Pablo, did you challenge the departments whether or not--

MR. PABLO: No, no, no. We haven't had any discussion on this matter.

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

VICE-CHAIR HOKAMA: And at this point in time it's too late for us to consider whether or not cash would've been an appropriate alternative for us in the pressing clock that's ticking against you gentlemen.

MR. YOUNG: I would say so, Mr. Hokama, 'cause we were fortunate that the Council was able to accommodate us on this particular measure because as it stands this measure will logistically barely make it before the December 31st deadline given the number of readings that it would need to. . .that would be entailed to get it passed.

VICE-CHAIR HOKAMA: Okay. Chairman, would you allow me to ask Corporation Counsel a question.

CHAIR PONTANILLA: Go ahead, Mr. Hokama.

VICE-CHAIR HOKAMA: Okay. It is Council's understanding, especially with special funds, that once we put money into it there's no reimbursement back to the General Fund, okay. And we operate very differently from our peers, the City and County of Honolulu, whose previous Mayor convinced the Council that what they had put into special funds was only an advancement so therefore he could legally raid the special funds to repay the General Fund. We've taken the opposite approach. It can only go in. It cannot come back out. So then my question then to you is why is an advancement viewed differently then? Because the General Fund is paying for a special fund need and yet after the bond is issued we only consider that an advancement and therefore you can replenish or reimburse the General Fund. So why is that viewed differently from our normal policy and how we've always applied the budget? (silence) Or are you uncomfortable to respond to that question this afternoon?

MS. HEELY: I do see Corporation Counsel Mr. Moto coming up to the mike, but I may have to review the Budget ordinance to see if there's a specific provision which explains advances.

VICE-CHAIR HOKAMA: Chairman, I would assume Mr. Moto has a comment--

CHAIR PONTANILLA: Mr. Moto.

VICE-CHAIR HOKAMA: --so if you would consider allowing his comment, please.

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

MR. MOTO: Uh. . . I hope this addresses some of it. I'm not sure I follow the entire question. That as you know the section. . .

VICE-CHAIR HOKAMA: So, Mr. Moto, so you can understand my part right.

MR. MOTO: Yeah.

VICE-CHAIR HOKAMA: Okay, when the department is unable to fund CIP operations, they ask for a General Fund subsidy which we provide in the past and I'm sure currently to some level of General Fund subsidy.

MR. MOTO: Uh-huh.

VICE-CHAIR HOKAMA: And we were always told that once we put General Fund money into the division, the special funds program, you cannot get it back. Let's say for whatever reason they had a great year. The revenues was higher than anticipated so they got a surplus so then of course one (end of tape 1A) subsidized you for. Okay, our practice has always been that is not allowed. So my question is but for a CIP we can advance General Fund which is temporary subsidy until we float the bond, right. We're paying with General Fund monies to encumber the contract to. . . for the Director to say County has enough money so I'm certifying through General Fund cash that this project can go forward, and then we float the bond, and then we pay back the General Fund what they've put forward, but that is okay for us to do. So I'm just saying what is really the difference? 'Cause one we were told we cannot and then for this one we are told we can.

MR. MOTO: Yes, I think. . . and one way to distinguish the, those cases is that these General Fund advances are not so much a subsidy per se. They, they. . . it's not monies that take the place of capital that is being generated by those special funds. Rather it's a financing technique basically to benefit the County as a whole, the treasury from having to pay interest costs on bonds that are, are issued. It allows the County to, to postpone the issuance of a bond for the longest period of time possible to avoid those interest cost, number one. Number two, it allows counties to accumulate these bond funded projects over time. Because to issue a bond costs money. There are transaction costs with legal fees and underwriting fees.

VICE-CHAIR HOKAMA: Understood.

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

MR. MOTO: And the third thing it does is that it helps make the bonds more attractive to the customer because the institutional purchasers or investors in these bonds like to get them in large denominations. They, they, the . . . in fact the bigger the bond issuance--

VICE-CHAIR HOKAMA: We understand that.

MR. MOTO: --yeah (inaudible)--

VICE-CHAIR HOKAMA: We understand that.

MR. MOTO: And the special funds are permitted by State statutes to use their monies to pay principal and interest on bonds once they've been issued, at least the highway fund does 'cause I happen to check that particular statute before this meeting.

VICE-CHAIR HOKAMA: So I'm still trying to under..., you know I mean simplistically, Mr. Moto, I'm still trying to understand what is basically the difference since you're still using General Fund and the dif..., but you know to be honest, yeah, while it's true we're deferring interest payment by advancing cash from the General Fund, neither are we receiving short-term interest of the General Fund cash that we would have received if it wasn't a short-term interest portfolio, investment portfolio.

MR. MOTO: That is true. There is that oppor..., lost opportunity but it's offset by the interest cost that we, that is foregone. In other words, the cost of paying interest exceeds probably the income that we would have gotten on that level of cash. The . . . there is some implicit good news these General Fund advances in the sense that, number one, it shows that the County has large enough cash reserves to do this kind of advances because not all institutions do, not all municipalities have the ability to basically borrow from themselves to fund these projects.

VICE-CHAIR HOKAMA: Uh-huh.

MR. MOTO: And number two, it's also a sign that capital spending is ramping up on an annual basis in the County of Maui. It's, it's getting pretty clear that more money is being encumbered on an annual basis for capital projects than in previous years. And this is why it now appears that that \$30 million limit on General Fund advances is becoming obsolete especially if you look at the . . . if you look at the trend of annual average CIP appropriations over time, the \$30 million figure was okay back in the

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

day when the average CIP budget for the County was \$20 million. The general rule I use personally is the figure one and a half times. In other words, General Fund advances probably should be at a level about one and a half times what your average annual CIP appropriations are. Twenty million dollars times one and a half is thirty million dollars. But now County's annual average CIP appropriations are \$30 million or more. So now we're probably should be thinking about a figure more like \$45 million as a, as a authorized limit for General Fund advances.

VICE-CHAIR HOKAMA: That was a good pitch, Mr. Moto. But nonetheless, you know, you were around with us so you know why we only authorize 20, 30 millions in the past. 'Cause the cash flow was not where we are today either.

MR. MOTO: Yes, sir.

VICE-CHAIR HOKAMA: Okay. So you know we need to be fair on our comparison to the times and the financial situation of this County because what we did ten years ago. . . what we're doing today we would not be able to do ten years ago 'cause we were not capable of doing it this way. And, and, you know, Mr. Moto, I can appreciate it but still yet, you know, why would we wanna pay interest when we don't have to especially if we have the cash. And even if it's General Fund, I still going back to the resident, yeah, either to pay more in special fund fees because they gotta pay the interest of a bond borrowing, or we have to decide and balance it that maybe it was better financially for the County and the resident to do a transfer from General Fund and avoid the interest payment of a 20-year bond float program. And that's what I would like. . . that's what I wanna see so that we make the better decisions. And I no like pulling teeth and having to extract out required information to make the best decisions. Chairman, thank you for my opportunity and thank you for allowing Mr. Moto to share his comments with us.

CHAIR PONTANILLA: Thank you. Members, any more questions for the Department at this time?

(note: silence)

VICE-CHAIR HOKAMA: Chairman.

CHAIR PONTANILLA: Mr. Hokama.

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

VICE-CHAIR HOKAMA: Are you open to a number above what was officially transmitted? You know the official transmittal is for--

CHAIR PONTANILLA: Thirty-five--

VICE-CHAIR HOKAMA: --five million more, 35 million. We've heard the Director give some revised comments--Directors I should say revised comments. . .

CHAIR PONTANILLA: Let me open the floor for Chair's recommendation and the Chair is open to a revised number, Mr. Hokama. So at this time the Chair recommendation is to adopt the revised proposed bill as amended and filing of the County Communications.

VICE-CHAIR HOKAMA: So moved.

COUNCILMEMBER MOLINA: Second.

CHAIR PONTANILLA: Okay, moved by Member Hokama, second by Member Molina.

VICE-CHAIR HOKAMA: Chairman.

CHAIR PONTANILLA: Mr. Hokama.

VICE-CHAIR HOKAMA: And it may appear I'm giving the Directors a hard time this afternoon and I think I'm very consistent with the Directors. They know how I review our money because it is our money. We are the ones that pay our taxes (inaudible) but I don't have a problem of supporting a, the request for increase because one thing, Members, it's an annual budget. Once we get the new budget in March we have the ability to adjust that number again on the new budget requirements. So you know, Chairman, hearing the situation and while I'm not 100 percent comfortable I would think. . .I would be ha. . ., comfortably able to support a ceiling of 40 million. Allow them some flexibility, the ability to take care of their business as well as if it makes sense for the Director to execute a '08 project because there's some kind of magic clock that the bid is based on, I would like to afford the Director that opportunity to consider those items prior to making their final decision internally on what can move forward at December 31st. So I would ask the Members to consider. . .or I would be happy to move to amend that the figure move to \$40 million.

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

CHAIR PONTANILLA: Thank you. Any second?

COUNCILMEMBER MOLINA: Second.

COUNCILMEMBER JOHNSON: Second.

CHAIR PONTANILLA: Second by Member Molina. Members, any more discussion on that particular amendment to the amended proposed bill? All in favor of the amendment to increase the fund from \$35 million to \$40 million say aye.

COUNCIL MEMBERS: Aye.

CHAIR PONTANILLA: Okay, motion is carried. Five ayes, four excused. Thank you very much, Members.

VOTE:	AYES:	Councilmember Johnson, Mateo, Molina, Vice-Chair Hokama, and Chair Pontanilla.
	NOES:	None.
	ABSTAIN:	None.
	ABSENT:	None.
	EXC.:	Councilmember Anderson, Baisa, Medeiros and Victorino.

MOTION CARRIED.

ACTION: APPROVE amendment to main motion.

CHAIR PONTANILLA: Coming back to the main motion. All in favor of the--

COUNCILMEMBER JOHNSON: As amended.

CHAIR PONTANILLA: --main motion as amended please say aye.

COUNCIL MEMBERS: Aye.

CHAIR PONTANILLA: Any opposed? Seeing none. There's five ayes, four excused. That concludes our--

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

November 26, 2007

MR. TAGUCHI: Chair, Chair Pontanilla.

COUNCILMEMBER JOHNSON: Does that include filing.

MR. TAGUCHI: Would that include filing of the two County Communications?

CHAIR PONTANILLA: Yes. Members, if there's no objections also will include the filing of both communications.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you.

VOTE:

AYES:	Councilmember Johnson, Mateo, Molina, Vice-Chair Hokama, and Chair Pontanilla.
NOES:	None.
ABSTAIN:	None.
ABSENT:	None.
EXC.:	Councilmember Anderson, Baisa, Medeiros and Victorino.

MOTION CARRIED.

ACTION: FIRST READING of revised proposed bill; and FILING of communications.

CHAIR PONTANILLA: Members, that concludes our agenda item this afternoon. If there are any more comments that you guys wanna make at this time? If not, this meeting is adjourned . . . *(gavel)* . . .

ADJOURN: 2:48 p.m.

APPROVED:


JOSEPH PONTANILLA, Chair
Budget and Finance Committee

bf:min:071126:yb

Transcribed by: Yvette Bouthillier